

FOREIGN POLICY ASSOCIATION

Information Service

Fact data on international questions for reference use

VOL. II—No. 19

NOVEMBER 24, 1926

CONTENTS

	Page
American Claims against Soviet Russia	220
U. S. War Credit to Provisional Kerensky Government	220
External Bond Issues Floated in the United States by Imperial Government	221
Claims of American Citizens and Corporations	222
Soviet Policy with Respect to Foreign Debts	222
Decree Repudiating of all Foreign Loans, 1918	222
President Wilson opens discussion with Soviet Government, 1919	223
Anglo-Russian Debt Discussions, 1921	223
The Genoa Conference, April, 1922	224
Demands of Creditor Countries	224
Reply of Soviet Delegation	225
The Rapallo Treaty between Russia and Germany	225
Present Position of Great Britain in regard to Russian Debt	227
Policy of the United States	228

Published bi-weekly by the FOREIGN POLICY ASSOCIATION, 18 East 41st St., New York, N. Y. JAMES G. McDONALD, Chairman; GEORGE M. LAMONTE, Treasurer; CHRISTINA MERRIMAN, Secretary Subscription Rates: \$5.00 per year; to F. P. A. Members, \$3.00

The Foreign Debt Policy of Soviet Russia

THE question of Russia's foreign indebtedness has been a critical point of issue in her relations with other nations ever since the Soviet Government repudiated all Russia's foreign debts and nationalized private property in 1918. One of the primary reasons advanced by the United States Government for refusing recognition to the Soviet regime has been the repudiation of debts and confiscation of property owned by American citizens. The position of the United States in the matter of Russia's debts and foreign obligations, as announced in 1923 by Secretary of State Hughes, is briefly that only actual restitution will be regarded as sufficient proof of good will on the part of the Soviet Government in complying with the conditions for American recognition.

A discussion of the debt problem raises many questions: What is the nature of the Russian debt to the United States? How was this debt contracted? What has been the policy of the Soviet Government regarding its foreign obligations since 1917? What is the status of the claims advanced by the

creditor nations who have accorded *de jure* recognition to the Union of Socialist Soviet Republics?

Prior to 1916, while there were some investments of American corporations and private individuals in Russia, no Russian government or municipal bonds had been floated in the United States. The total American claims against Russia of approximately \$800,000,000 form no more than 10 per cent of Russia's foreign obligations. The parties most deeply interested in Russia financially are Great Britain and France, each of which holds a considerable share of Russia's \$8,000,000,000 indebtedness. French investments were made almost exclusively in the period of the Franco-Russian Alliance prior to 1914. The bulk of the British loans were made during the World War by the extension of credits on account of supplies to the Imperial Russian Government. Besides Great Britain and France, many other countries have large investments in Russia.

The American claims against the Soviet Government have no special priority over

the claims of other powers. While a settlement of the relatively small American debt is well within the economic resources of the Soviet government, any private agreement with America or any other creditor would almost necessarily involve a similar settlement with all of Russia's creditors. The Soviet Government has repeatedly refused to recognize any legal obligation to settle all of Russia's foreign debts.

The history of the negotiations between Russia and her creditors reveals that only

on one occasion was joint action by the creditor powers attempted. At the Conference of Genoa and The Hague in 1922 all interested powers, with the exception of the United States were present. The failure of these negotiations was followed by *de jure* recognition of the Soviet Government in 1924 by Great Britain and France, and a series of private negotiations have been intermittently in progress ever since. There has been no conference between representatives of the United States and the Soviet Government on the subject of Russia's debts.

AMERICAN CLAIMS AGAINST SOVIET RUSSIA

The American claims against Russia fall into two distinct categories: Claims which arise out of the repudiation of debts and claims which arise out of the confiscation and nationalization of property by the Soviet Government.

In the first category there are two items—loans extended by the United States Government to the Kerensky government of Russia,* and loans extended by American banking syndicates to the Imperial Russian Government in 1916. In the second category fall all the claims of American corporations and private individuals for losses incurred by them in Russia as a result of the Revolution.

U. S. WAR CREDIT TO KERENSKY GOVERNMENT

The first item of the Russian indebtedness to the United States is the war credit extended by the United States Government to the Provisional Government of Russia. In May, 1917, the United States inaugurated the policy of giving credits to the Allied Powers at war with Germany. Under the provisions of the Liberty Loan Act a credit of \$100,000,000 was extended on May 16th in favor of the Russian government. This initial credit was followed on July 17, August 23 and October 12 by further advances, bringing the total of credits extended to Russia to \$325,000,000. The object of the

credits was to cover purchases of war materials in the United States under the supervision of the War Industries Board of Washington. An itemized list of expenditures shows that the Russian credit was devoted to the following items:

Munitions	\$ 58,698,646.58
Exchange and cotton purchases	53,186,352.70
Foods	1,706,909.48
Other Supplies	49,338,982.34
Transport	2,155,769.40
Shipping	1,324,678.54
Interest	4,129,761.64
Maturities	5,000,000.00
Miscellaneous	3,041,568.89
	<hr/>
	\$ 178,582,669.57**

The whole of the credit of \$325,000,000 was not used and on March 31, 1919, in view of the disturbances in Russia the balance of \$137,270,250 credited to the Russian government was withdrawn by order of the State Department. The sum remaining, \$187,729,750 forms the total principal amount of obligations received under the Liberty Bond Act by Russia.

To the principal of the government war credit must be added two other items: The total principal amount of obligations received for surplus supplies sold on credit under Act of July 9, 1918, and the principal of the obligations received for relief supplies furnished on credit under Act of February 25, 1919.

* The Kerensky Government of Russia succeeded to the Imperial Government in March, 1917 and was overthrown by the Communists in November, 1917.

** Annual Report of the Secretary of the Treasury, 1920.

	<i>Principal Amount</i>	<i>Interest to Nov. 15, 1925</i>
1. Obligation under Liberty Bond Act	\$ 187,729,750.00	\$ 67,161,027.76
2. Surplus Supplies	406,082.30	71,064.42
3. Relief Supplies	4,465,465.07	1,158,012.31
Totals to November 15, 1925	\$ 192,601,297.37*	\$ 68,390,104.49

The Russian debts have borne interest up to Nov. 15, 1925 to the total of \$68,390,104.49, while the liquidation of Russian affairs in the United States placed a credit of \$7,930,940.33 on account of interest.

IMPERIAL RUSSIAN BOND ISSUES

The second item of Russian indebtedness consists of the external bond issues floated in the United States by the Imperial Russian Government. The first of the two loans floated in 1916 was a \$50,000,000, three year 6½ per cent credit in favor of the Imperial Russian Government. The security for this loan was a credit of 150,000,000 paper roubles established in Petrograd in favor of the American group. Proceeds were devoted to the purchase of war supplies in the United States. The interest on the American credit was paid by the Russian Government in dollars in New York. It was fully subscribed, and its success encouraged the floating in November, 1916 of a \$50,000,000, five year, 5½ per cent unsecured loan. This was the first attempt to float a loan by the Russian Government in the United States unsecured by anything but the general credit. Only \$25,000,000 were underwritten by the American group, and the option taken on the other \$25,000,000 was never used. Thus, in 1916 American banking groups had floated loans to Russia to the total sum of \$75,000,000.

The course of the revolution in 1917-18, in spite of the decrees of repudiation, did not immediately affect the service on these two loans, but when the first loan matured in June, 1919, the Russian financial attache at Washington who had hitherto been authorizing service on the two loans, declared that he could not meet the principal. On June 18, 1919, Russia defaulted on the 6½ per cent \$50,000,000 loan. Acting Secretary of

State Frank L. Polk made the following statement at that time:

"Owing to the present confusion in Russia it is not practical at this time for the State Department to make any presentation of legal claims of American citizens against Russia. The people of America, however, are now, as they have been in the past, most sympathetic of the great Russian people and eagerly desire to see them work out for themselves a stable form of government. When that time comes the State Department will use its good offices to call such claims to the attention of their government. With reference to the \$50,000,000 credit established by certain bankers in the United States, it will be remembered that the money was advanced in good faith when Russia was fighting for her life and that the credit was primarily for buying supplies which were sorely needed by the Russian people for their military and civilian needs at the time.

"Whatever stable government may ultimately assume control in Russia, it is to be expected that it will follow the practice which enlightened diplomats have always followed in recognizing the legitimate external loans of prior governments."*

Testifying before the House Committee on the State Department expenditures, June 27, 1919, Acting Secretary Polk denied that funds advanced by the United States Government to Russia had been used to pay interest charges on the Russian bonds.

The second Russian credit of \$25,000,000 was likewise defaulted in 1919.

In addition to the two external gold loans, an unknown number of subscriptions were made in the United States to the \$2,000,000,000 internal Russian 5½ per cent war loan. Interest on this loan at depreciated rates was paid by the Russian (Kerensky) Embassy** up to and including February, 1919, but was defaulted after the announcement of the default on the 6½ per cent gold loan.

* Report of the Secretary of Treasury 1922, p. 283, and Report of the Secretary of Treasury 1925, p. 267.

** The Kerensky Ambassador was recognized by the U. S. until June, 1922.

CLAIMS OF AMERICAN CITIZENS AND CORPORATIONS

The second category consists largely of private and commercial claims against the Russian Government. Under this category fall all the claims of American citizens and corporations for losses incurred by the confiscation and destruction of movable and immovable property in Russia since November, 1917. No definitive statement of these claims is available and the unofficial estimates of the sum involved vary greatly. The most complete analysis of foreign investments in Russian industries is based upon official Soviet sources. American interests in Russia consisted of concessions, manufacturing concerns, trading companies, insurance companies and banks, but not, like French and British investments, of industrial securities and railroad stocks. The total

American investment calculated on the basis of stock issue, according to the survey,* totals 117,750,000 gold roubles, or somewhat less than \$60,000,000. There are, however, many claims in addition to these treated by the Soviet authorities in the above mentioned pamphlet, and the estimate of American commercial and private claims usually quoted in American sources totals as much as \$430,000,000.**

The total claims of the United States Government and of American citizens against Russia may be tabulated as follows:

Government loans	\$ 192,601,297.37
Interest	
External bonds	75,000,000.00
Interest since 1919	
Miscellaneous claims	430,000,000.00
Total Principal	\$ 697,601,297.37

With interest charges the claims have been quoted in a round sum as 800 million dollars.

SOVIET POLICY WITH RESPECT TO FOREIGN DEBTS

A study of the policy pursued by the Soviet Government since its coming into power in November, 1917 shows that the acts of repudiation of Russia's foreign obligations and the confiscation of private property, bank balances and industrial machinery belonging to foreigners have not been repealed or cancelled. On the contrary, an elaborate justification of the acts of the Soviet Government has been advanced which asserts the legal right of the Soviet Government to carry out these measures. The negotiations on economic questions which have taken place between the creditor powers and Russia have been crowned with no success, with the exception of the Rapallo Treaty between Germany and Soviet Russia of April, 1922.

REPUDIATION OF FOREIGN LOANS

The series of acts revealing the policy of the Soviet Government with respect to the debts began with the Soviet decree of January 28, 1918.* The decree of repudiation of

foreign loans states in Art. 3: "Unconditionally and without exception all foreign loans are annulled."

The service on the foreign loans ceased at this time and the value of the bonds on all foreign exchanges dropped. Similar acts confiscating industrial and private property were passed by the Soviet Government in the first months of its control. A protest was immediately lodged by the allied and neutral ambassadors and ministers accredited to Petrograd. The note ran as follows:

"All Allied and neutral ambassadors and ministers accredited to Petrograd, herewith inform the Commissariat of Foreign Affairs that they consider all decrees of the Workers' and Peasants' Government regarding the repudiation of state debts, confiscation of property, etc., in so far as they concern the interests of foreign subjects, as non-existent. At the same time the ambassadors and ministers state that their Governments reserve to themselves the right at any time when they consider it necessary, to insistently demand the satisfaction and replacement of all damage and all losses, which may be caused by the operation of

* Date given in the Official Proceedings of the Conference of the Hague, 1922. Other dates for the decree of repudiation, to wit, January 13, 21, February 8 and March 8, 1918 are given by different authorities. The confusion may be explained in part by the complex and even chaotic machinery of the Soviet Government in 1918. The resolution of repudiation was no doubt passed by several different organs of the government at different times, the legal authority of each being obscure to contemporary foreign observers. There is no doubt, however, as to the realization of this measure.

* *Foreign Capital Investment in Russian Industries and Commerce*, by Lewery, Leonard J., Department of Commerce, Miscellaneous Series 124, 1923.

** Report in Washington Evening Star, January, 30, 1924, "Officially prepared" statement for Current History, February, 1926, estimate, \$400,000,000.

these decrees to foreign states in general and to their subjects who live in Russia in particular.”*

The note had no particular effect.

PRESIDENT WILSON OPENS DISCUSSION

The policy of repudiation was no sooner put into effect than evidence of a possible modification of the law appeared in the correspondence of the Commissariat for Foreign Affairs. In answer to President Wilson's suggestion that a conference between all political parties at war in Russia meet at Prinkipo in 1919, Commissar Chicherin declared in a circular note addressed to the United States, Great Britain, France Italy and Japan:

“In view of the particular importance which is attached not only by the press but also by the numerous declarations of the representatives of the Entente governments to the question of Russian loans, the Soviet Government first of all declares its readiness to make concessions in this matter to the demands of the Entente powers. It does not refuse to recognize its financial obligations to its creditors who are subjects of the Entente powers, leaving the precise formulation of the manner in which this point is to be enforced to the special treaties the elaboration of which is to be one of the tasks of the proposed negotiations.”**

The statement of M. Chicherin was taken in some quarters to indicate Russia's willingness to meet her obligation. Assistant-Secretary of State Frank L. Polk, at the hearings before the House Committee declared that, “The Bolshevik authorities most distinctly undertook to recognize and assume the foreign obligations of Russia, not only of their own regime, in the correspondence resulting from the Prinkipo Conference this winter.”†

Admiral Kolchak, head of the “White” Government of Siberia, had already declared on November 27, 1918 his acceptance of the burden of the national debt of Russia. The reiteration of this declaration on June 4, 1919 preceded the default by Russia of the principal of the \$50,000,000 American bond

issue, the interest of which had been paid by the Russian Embassy up to and including January, 1919 but which was defaulted on June 18, 1919 through lack of funds.

ANGLO-RUSSIAN DISCUSSIONS, 1921

The proposed conference of Prinkipo was never held and the negotiations over Russia's foreign indebtedness were suspended. No new developments took place until after the proclamation of the New Economic Policy in April, 1921. In October of the same year, M. Chicherin addressed the British Government with the proposal that Russia recognize a certain part of the debt as a special concession, but with the proviso that there should be special facilities to enable it to carry out this undertaking.

The note of M. Chicherin ran as follows:*

“The Russian Government also declares that the proposal to recognize the old debt under certain conditions corresponds with its own intentions at the moment in pursuit of this object (a reestablishment of economic agreements with all the powers). The Soviet Government finds the way barred by the demand of the powers for the recognition of the Czarist debts. The Soviet Government declares its firm conviction that no people is bound to pay the price of chains fastened upon it for centuries. But in its unshakable determination to arrive at an entire agreement with the other powers, the Russian Government is inclined to make several essential and highly important concessions in regard to this question. The Russian Government declares itself ready to recognize the obligations toward other states and their citizens which arise from state loans concluded by the Czarist Government before 1914 with the express proviso that there shall be special provisions and facilities which enable it to carry out this undertaking.”

The answer of the British Foreign Office to the Chicherin proposals raised the question as to how extensive the Russian concessions really were:

“You indicate that the recognition of what the Brussels conference defined as ‘existing debts and obligations arising from established claims’ corresponds with the intention of the Soviet Government at the moment, but on the other hand your

* Protest by the Diplomatic Corps in Russia against the Repudiation of State Debts—*Izvestia*, February 15, 1919. *Russian-American Relations*, n. 56.

** *Russian-American Relations*, 1917-1920, n. 132.

† Hearings before the Committee on Expenditures of the State Department—June 26, 1919, p. 83.

* Correspondence with Mr. Krassin respecting Russia's Foreign Undertakings—Parliamentary Papers—Russia—n. 3—1921.

concrete proposition confines recognition to one particular class of debts or obligations. H. M. Government wish to know whether recognition of other classes of obligations, e. g., loans to the Czarist Government since 1914, municipal and railway loans and claims by foreign owners of property in Russia confiscated or destroyed by the Soviet Government, also corresponds with the intention of the Soviet Government at the moment, and they invite that Government explicitly to define their attitude in regard to all such other classes of claims *

THE GENOA CONFERENCE APRIL, 1922

The result of this correspondence was the decision on the part of Premier Lloyd George to call a general Conference of all the European powers and the British Empire to discuss the question of Russia's foreign obligations with the representatives of the Soviet Government. Heretofore there had been no general meeting between the Soviet Government and the representatives of the creditor powers. The principles for the conference were elaborated at the meeting of the Supreme Allied Council at Cannes on January 6, 1922, as follows:

"Paragraph 2. Before, however, foreign capital can be made available to assist a country, foreign investors must be assured that their property and their rights will be respected and the efforts of their enterprise secured to them.

"Paragraph 3. The sense of security can not be reestablished unless the governments of countries desiring foreign credit expressly undertake:

(a) that they will recognize all public debts and obligations . . . as well as the obligation to restore or compensate all foreign interest for loss or damage caused to those whose property has been confiscated or withheld;

(b) that they will establish a legal and juridical system which sanctions and enforces commercial and other contracts with impartiality."

The Genoa Conference met in April, 1922 and was attended by the representatives of all the states invited by Premier Lloyd George with the exception of the United States, which sent an unofficial observer in the person of Ambassador Richard W.

* Correspondence with Mr. Krassin respecting Russia's Foreign Undertakings—Parliamentary Papers—Russia—n. 3—1921.

Child. The discussions culminated in two statements drawn up by the "non-Russian" joint sub-commission and the Russian sub-commission expressing their respective views on the problem of the debts.

DEMANDS OF CREDITOR COUNTRIES

Briefly the demands of the creditors included:

(a) Recognition by Russia of her debts;

(b) Compensation to owners of property confiscated by the Soviet Government; and

(c) The insurance of the persons, the property and the liberty of foreigners in Russia.

The following extracts from the Genoa Conference memorandum illustrate the demands of the creditor powers:

Section 2. The recognition by Russia of "all public debts and obligations which have been contracted or guaranteed by the Imperial Russian Government or the Provisional Government or by the Soviet Government itself toward foreign powers." The creditors announce themselves "willing to make no claims against Russia for the present either as to capital or interest on the advances made to the Russian Governments during the war" but they admit of no counter-claims against them by the Russian Soviet Government for loss or damage suffered during the revolution in Russia since the war. A reduction or modification of the amounts due by the Soviet Government would be considered on a similar line with the liquidation or rearrangement of the war debt of the other allies.

Clause 4. "In conformity with the general principle admitted by all governments, the Russian Soviet Government recognizes its obligations to fulfill the financial engagements which it or its predecessors, that is to say, the Imperial Russian Government or the Russian Provisional Government, have contracted *vis à vis* foreign nationals."

Clause 5. A similar recognition of the financial engagements "of all authorities in Russia, provincial or local, as well as all public utility enterprises in Russia contracted before this date *vis à vis* the nationals of other powers."

Clause 6. "The Russian Soviet Government agrees to conclude an arrangement within twelve months of the coming into effect of this clause with the repre-

sentative of foreign holders of bonds and bills issued or guaranteed by the Russian Soviet Government, or its predecessors, for insuring the restarting of the service on the loans and the payment of the bills"

Clause 7. In cases where the previous owner is not able to resume possession of his former rights the Russian Soviet Government will make an offer of compensation.

The term "previous owner" shall include Russian financial, commercial and industrial companies which at the date of nationalization were controlled by the nationals of other powers in which at the same date such nationals possessed a substantial interest, either as share-holders or bond-holders if the majority of the foreign interests were destroyed.

Clause 11. "The Russian Soviet Government undertakes to take all necessary measures for insuring forthwith the protection of the person, the property and the liberty of foreigners."*

REPLY OF SOVIET DELEGATION

The reply of the Soviet delegation, which was exceedingly long, may be summarized in the following extracts:

"The assertion that the recognition of the debts of former Russian Governments and the claims of private individuals is a condition essential to the cooperation of foreign capital in resuscitating the credit of new Russia is counteracted by the fact that many foreign capitalists have already given their collaboration to Russia without waiting for a settlement of the question of debts

"Governments and systems that spring from revolution are not bound to respect the obligations of fallen governments. The French Convention of which France declares herself to be the legitimate successor proclaimed on December 22, 1792, that the 'sovereignty of peoples is not bound by the treaties of tyrants.' In accordance with this declaration, revolutionary France not only tore up the political treaties of the former regime with foreign countries but also repudiated their national debt. She consented to pay only one third of that debt and that from motives of political expediency

"The United States repudiated the treaties of its predecessors England and Spain,

"In conformity with these precedents, Russia can not be obliged to assume any responsibility whatever toward foreign powers and their nationals for the cancellation of public debts and for the nationalization of private property

"When foreign nationals supported by their governments demanded from the Czarist Government the repayment of the losses caused to them by the revolutionary events of 1905-1906, the Government rejected their demands, basing its refusal upon the fact that not having accorded damages to its own subjects for similar losses, it could not place foreigners in a privileged position.

"Thus from the point of view of law, Russia is in no wise obliged to pay the debts of the past, to restore property, or to compensate their former owners, nor is she obliged to pay indemnities for other damages suffered by foreign nationals whether as a result of legislation adopted by Russia in the exercise of her sovereignty or as a result of the revolutionary events."

Having built up its case, the Russian delegation declared itself "prepared to renounce conditionally its counter claims and to accept the engagements of the former governments in exchange for a number of concessions on the part of the powers, the most important being real credits placed at the disposal of the Russian Government amounting to a sum to be agreed upon in advance."

With regard to private claims, the Soviet Government proposed to give preference in granting concessions to former owners.

The answer of the Russian delegation took issue with the principles laid down by the allied delegations on the point of law involved in Russia's repudiation of her debts, but opened the way for further negotiations on the condition that certain credits be established in favor of the Soviet Government by the interested parties. With the purpose of discussing the credit requirements of Russia a second conference met at The Hague in June, 1922.

THE RAPALLO TREATY, APRIL, 1922

Meanwhile on April 16, 1922, at Rapallo the Soviet representatives concluded a treaty with Germany. Germany agreed to resume diplomatic relations and to abandon all claims against the Soviet Gov-

* British Parliamentary Papers n. 1667 (1922). Pasvolsky & Moulton, p. 199.

ernment provided similar claims by other powers were not satisfied by the Soviet Government.

Article 2 of the Treaty:

"Germany renounced claims which have arisen through the application up to the present of the laws and measures of the R. S. F. S. R. to German nationals or to their private rights as well as to the rights of Germany and its constituent states against Russia or from the measures otherwise adopted by the R. S. F. S. R. or its officials against German nationals or their private rights provided that the government of the R. S. F. S. R. does not satisfy similar claims of other states."

This agreement coming in the midst of the negotiations was received with open disapproval by the creditor powers.

The Hague Conference failed to bring the debt settlement any nearer. The report of the "non-Russian" delegation of the work of the Conference ran as follows:

"The non-Russian Sub-Commission concluded at the outset that no measures had been taken to annul the decrees of January 28, 1918 completed by the decree of January 31, 1918, nor the decree of September 16, 1920 which suspended the right to compensate for the cancellation of State debts" nor were there any guarantees that private property would be restored to its previous owners.*

The attitude of the Russian delegation was expressed by Mr. Sokolnikoff, who

* Hague Conference. Parl. papers Cmd. 1724, Appendix B.

stated that "Russia does not consider herself bound by obligations undertaken by the Czarist Government." He indicated that his Government was unable to change the promise made to the Russian people "not to recognize the debts of the *ancien régime* except under the following conditions:

1. The granting of real advantages permitting Russia to accelerate reconstruction; that is, foreign credits totaling 3,224,000,000 gold roubles, or approximately \$1,612,000,000 and

2. A moratorium on payments.

The creditor powers found the conditions demanded by the Russian delegation unacceptable.

RECOGNITION GRANTED BY BRITAIN AND FRANCE

After the failure of the Genoa and Hague Conferences, there were no new developments until 1924 when Premier MacDonald and Premier Herriot extended *de jure* recognition to the Soviet Government of Russia. In their notes tendering recognition neither Great Britain nor France made the settlement of the debts a condition for the resumption of diplomatic relations, but mention was made of the problem in a manner which indicated the keen interest both governments had in the question. The reference to the debts was worded as follows in the two notes:

BRITISH NOTE

Art. 4. Technically unconnected with the recognition, but clearly of the utmost importance are the problems of the settlement of existing claims by the Government and the nationals of one party against the other and the restoration of Russia's credit.

Note of February 1, 1924.

FRENCH NOTE

The Government of the Republic desires to express its belief in the possibility of a general agreement between the two countries, of which the resumption of diplomatic relations is but the preface. In this respect it intends expressly to reserve the rights which French citizens hold in respect of obligations entered into by Russia or her nationals under the former régimes, obligations respect for which is guaranteed by the general principles of law which remain for us the rule in international life

Note of October 28, 1924.

Following the British recognition of Russia on February 1, 1924, negotiations were opened in London in April, 1924 for a settlement of the debt problem. The treaty which was drawn up at this time provided for the settlement of the pre-war debt of the Russian Government in such a manner as to arrange a future settlement of the claims of the British bond holders. The war debts were described as held in abeyance pending some general international arrangement regarding all inter-allied debts while the private claims were to be discussed later by the Soviet Government and British nationals with a view of granting "just compensation." The treaty provided for no definite payments or service on loans, but merely referred the whole matter to further negotiations.* The fall of the MacDonald ministry with the victory of the Conservatives in 1924 prevented the ratification of the agreement by Parliament. No new negotiations were entered into and Russian settlement rested where the Genoa and Hague Conferences had left it.

BRITISH STATEMENTS ON RUSSIAN DEBTS

The present status of the Russian debts as far as Great Britain is concerned has been made clear in a number of statements in Parliament.

THE WAR DEBTS. In a statement of February 4, 1926, Winston Churchill, Chancellor of the Exchequer, declared:

"His Majesty's Government would certainly be willing to negotiate a settlement of any debt due this country. The Soviet Government, however, has made no definite proposals for a settlement and it would be premature for me to say at present what terms I would consider acceptable to His Majesty's Government."**

PRIVATE CLAIMS. Sir Austen Chamberlain on June 17, 1926, made the following statement:

"I can not say definitely that no compensation has been paid in any instance, but it is a fact that the great bulk of the claims remain unsatisfied. As is well

known, the Soviet Government has hitherto refused to satisfy the just claims against them except on conditions which are not acceptable to His Majesty's Government."*

CREDITS. On March 1, 1926, Secretary of Overseas Trade Samuel declared in Parliament:

"If a case were to come to me from the Credit Export Advisory Committee asking me to authorize the use of public money for the purpose of giving credit to Russia under the scheme, I should decline to accept it."**

The return of M. Krassin to London and his interviews with Sir Austen Chamberlain may have a bearing upon the settlement of the debt question, but nothing to indicate any new arrangement has been made public.

The French negotiations of the debt settlement immediately following the recognition of Russia were unsuccessful. A new conference was called in February, 1926 to discuss the matter, but there have been no indications as yet of a final settlement being reached by the parties.

POLICY OF THE UNITED STATES

The United States has pursued a policy different to that of either Great Britain or France. No official part was taken in the Genoa or Hague Conferences. Recognition was not tendered to the Soviet Government at the time that Great Britain and France resumed diplomatic relations with Russia. In the matter of the debt the United States Government has refrained from entering into direct negotiations with the Soviet Government. President Coolidge, however, in his message to Congress, December 6, 1923, declared:

"Whenever there appears any disposition to compensate our citizens who were despoiled and to recognize that debt contracted with our Government, not by the Czar, but by the newly formed republic of Russia . . . our country ought to be the first to go to the economic and moral rescue of Russia."

The proposal of M. Chicherin in December, 1923 "to enter into negotiations with

* Text of treaty in "World War Debt Settlements," Moulton and Pasvolsky.

** Parliamentary Debates—House of Commons—v. 191, n. 3, p. 255. February 4, 1926.

* Parliamentary Debates—House of Commons—v. 196, n. 84, June 17, 1926.

** Parliamentary Debates—House of Commons—v. 192, n. 20. March 1, 1926.

the American Government and to remove all misunderstanding and differences between the two countries," was answered by Secretary Hughes on December 18, 1923, in the following manner:

"There would seem to be at this time no reason for negotiations. The American Government, as the President said in his message to the Congress, is not proposing to barter away its principles. If the Soviet authorities are ready to restore the confiscated property of American citizens or make effective compensation, they can do so. If the Soviet authorities are ready to repeal their decrees repudiating Russia's obligations to this country and appropriately recognize them, they

can do so. It requires no conference or negotiations to accomplish these results which can and should be achieved at Moscow as evidence of good faith. The American Government has not incurred liabilities to Russia or repudiated obligations. Most serious is the continued propaganda to overthrow the institutions of this country. This Government can enter into no negotiations until these efforts directed from Moscow are abandoned."

In short, where the Western powers recognized first and negotiated afterwards, the United States has favored the policy of first securing evidence of good faith and definite assurance and only then recognizing Russia.

LIST OF REFERENCES

- Annual Report of the Secretary of the Treasury on the State of Finances for the Fiscal Years 1920, 1922 and 1925.
- Correspondence Between His Majesty's Government and the French Government Respecting the Genoa Conference.* Parliamentary Papers. Miscellaneous. No. 6, 1922. Cmd. 1742.
- Correspondence With Mr. Krassin* respecting Russia's foreign indebtedness. Parliamentary Papers. Russia. No. 3, 1921. Cmd. 1546.
- Current History*, February 1926.
- Dennis, Alfred L. P.: *Foreign Policy of Soviet Russia.* 1924.
- Federal Reserve Bulletin*, August 1922.
- Foreign Capital Investment in Russian Industries and Commerce*, by Leonard J. Lewery. Department of Commerce. Miscellaneous Series 124, 1923.
- Hearings Before the Committee on Expenditures in the State Department* (House) H. R. 132. June 26, 1919. Russian Bonds.
- Nadler, Marcus: "Russia's Foreign Indebtedness." *Annalist.* 20:533—4. No. 20, 1922.
- Papers Relating to The Hague Conference.* Parliamentary Papers. Cmd. 1724. 1922.
- Papers Relating to the International Economic Conference.* Genoa. April-May, 1922. Parliamentary Papers. Cmd. 1667. London. 1922.
- Parliamentary Debates.* House of Commons. Vols.: 191, 192, 196. 1926.
- Pasvolosky and Moulton: *Russian Debts and Russian Reconstruction*, 1924.
- Pasvolosky and Moulton: *World War Debt Settlements.* 1926.
- Rathbone: *Making War Loans to the Allies—Foreign Affairs.* April 1925.
- Recognition Policy of the United States.* Foreign Policy Association. Special Supplement to the Information Service, November 1926.
- Russian-American Relations.* 1917-1920. Documents and Papers compiled and edited by C. H. Cumming and Walter W. Pettit, 1920.
- Telegram from M. Chicherin*, Moscow, to the Governments of Great Britain, France and Italy, respecting the Genoa Conference. Parliamentary Papers. Miscellaneous. No. 2. Cmd. 1637; 1922.
- The Problem of International Debts.* Russia. Institute of Economics. American Federationist. Vol. 33, No. 6, 1926.